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Message Text

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43
ACTION COME-00

INFO OCT-01 AF-10 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-03 DODE-00 EB-11 FEAE-00 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 PA-04 PRS-01

USIA-15 EUR-25 DRC-01 /187 W
---------- 003256
R 121112Z SEP 74
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC 5981

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E.O. 11652: N/A
TAGS: BEXP, ENRG, NI
SUBJ: SITREP ON LIQUIEFIED NATURAL GAS

REF: LAGOS 7851

1. TWO-INCH THICK IMEG REPORT RECEIVED LAGOS THIS WEEK, AND NIGERIAN "TEAM" (CONSISTING OF AKPE, IBE, AND SOGBAMU) HAS BEEN GIVEN TWO DAYS TO READ IT AND PREPARE COMMENTS PRELIMINARY TO DISCUSSIONS WITH IMEG EXPERTS WHO ARE NOW IN LAGOS. REPORT PRESUMABLY PROVIDES ALL TECHNICAL INFORMATION NEEDED TO SELECT ONE OR MORE OF THE FOUR LNG PROPOSALS (SHELL-BP, GULF, PHILLIPS/ AGIP, AND TENNACO).

2. DELIVERY OF IMEG REPORT AND BEGINNING OF NIGERIAN EVALUATION MARK FIRST REAL PROGRESS TOWARD LNG DECISION SINCE JANUARY (WHEN IMEG REPORT COMMISSIONED AND PROPOSALS SHORT-LISTED TO FOUR), BUT THERE IS STILL NO INDICATION WHEN NEXT STEP WILL BE ACHIEVED. EMBASSY AND OTHER OBSERVERS THOUGHT CHIEF OF STATE MIGHT ORDER THE DECISION-MAKING PROCESS TO BE SPEEDED UP SO HE COULD ANNOUNCE RESULTS DURING HIS NATIONAL DAY SPEECH OCTOBER 1, BUT THERE IS
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NO EVIDENCE TO SUPPORT THIS HYPOTHESIS. ON CONTRARY, MINES

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AND POWER PERMSEC ASIODU DEPARTS SEPTEMBER 14 ON ANNUAL HOLIDAY, AND THE OTHER THREE HIGHEST-RANKING OIL AND GAS OFFICIALS ARE ABROAD. (AKPE IS IN FACT NEXT MOST SENIOR MAN IN THE PETRO-LEUM RESOURCES DEPARTMENT.)

3. EMBASSY THEREFORE BELIEVES THAT TIMING OF LNG DECISION IS STILL INDETERMINABLE. AT SOME POINT, HOWEVER, TECHNICAL EVALUATION, ATTENTION OF POLICY-MAKERS, AND AGENDA OF FEDERAL EXECUTIVE COUNCIL (WHOSE ASSENT WILL BE REQUIRED) MIGHT ALL FALL IN LINE, ANY REMAINING POLITICAL FACTORS MIGHT BE CLEARED UP, AND AS SELECTION COULD BE MADE VERY QUICKLY. ACCORDING AKPE, THE PROPOSALS ARE TO BE ACCEPTED OR REJECTED IN THEIR PRESENT FORM, I.E. AS INDEPENDENTLY PREPARED BY EACH COMPANY. HE CLAIMS STRUCTURAL ELEMENTS OF THE LNG PROJECT (PAR 2 REFTEL) WILL FALL RATHER AUTOMATICALLY INTO PLACE ONCE THE INTENDED TECHNICAL PARTNER OR PARTNERS ARE KNOWN.

4. REFTEL INCORRECT IN AT LEAST ONE INSTANCE: PHILLIPS/AGIP PROPOSAL CALLS FOR CAPACITY OF 1,000 MILLION CUBIC FEET PER DAY, NOT 500 AS INDICATED PAR 3. BROWN AND ROOT INADVERTENTLY OMITTED FROM LIST OR FIRMSAN PAR 5 (US/UK ORIGINS). IT SHOULD ALSO HAVE BEEN NOTED THAT BROWN AND OOT AND FOSTER WHEELER HAVE PERMANENT OFFICES IN NIGERIA AND THAT BECHTEL IS CURRENTLY ENGAGED IN HOTEL CONSTRUCTION PROJECT.

5. EMBASSY REPEATS ITS REQUEST FOR INFORMATION ON LNG FROM WASHINGTON, ESPECIALLY INCLUDING ANY SUGGESTIONS COMMERCE MAY HAVE ON WAYS TO MAXIMIZE RESULTS FAVORABLE TO US FIRMS, BUT ALSO INCLUDING POLICY STATEMENTS AND ANNALYSIS SUCH AS PAPER GIVEN BY DIRECTOR OF EMB/ORF/FSE TO INTERNATIONAL LNG CONFERENCE IN JUNE IN WHICH HE CAST DOUBT ON US "NEED FOR ANY FURTHER MAJOR LNG PROJECTS BEYOND THOSE ALREADY AUTHORIZED BY FPC." THIS STATEMENT, WHICH ONLY RECENTLY CAME TO ATTENTION OF EMBASSY, HAS CREATED CONSIDERABLE STIR AMONG SMALL NUMBER OF NIGERIANS KNOWLEDGABLE ABOUT LNG AND HAS MOST PROBABLY STRENGTHENED THE COMPETITIVENESS OF COMPANIES (PRESUMABLY SHELL-BP AND GULF) WHICH MIGHT BE ABLE TO DEVELOP MARKETS FOR NIGERIAN LNG IN EUROPE AS WELL AS US.
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